

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 84-181-C - ORDER NO. 84-732
September 24, 1984

IN RE: Application of MCI Telecommunications Corporation for a Certificate of Public Convenience and Necessity to offer intercity telecommunications services to the public in the State of South Carolina.)	
)	ORDER
)	GRANTING
)	CERTIFICATE
)	

I.

INTRODUCTION

This matter comes before the South Carolina Public Service Commission (hereinafter "the Commission") by way of an Application filed on May 16, 1984 by MCI Telecommunications Corporation (hereinafter "the Applicant" or "MCI"), whereby the Applicant seeks a Certificate of Public Convenience and Necessity to authorize it to offer to the general public, for hire, intercity telecommunications services within the State of South Carolina by the use of microwave and other means including, but not limited to, the resale of Wide Area Telecommunications Services (WATS) and Message Toll Services (MTS). The Application was filed pursuant to S. C. Code Ann., Sections 58-9-280 and 520 (1976), as amended.

Subsequent to receipt of the instant Application, the Commission's Executive Director instructed MCI to cause to be published a prepared Notice of Filing and Hearing once a week for two consecutive weeks in newspapers of general circulation in the

affected area. Additionally, the Applicant was instructed to certify that all other notifications required by statute were made. Subsequently, the Applicant furnished Affidavits of Publication and Affidavits of Mailing, indicating compliance with the instructions of the Commission's Executive Director.

Petitions to Intervene were filed by the following: Southern Bell Telephone and Telegraph Company (hereinafter "Southern Bell"); AT&T Communications of the Southern States (hereinafter "ATTCOM"); Telecommunications Systems, Inc. (hereinafter "TSI"); General Telephone Company of the Southeast (hereinafter "General"); United Telephone Company of the Carolinas (hereinafter "United"); and The Consumer Advocate for the State of South Carolina (hereinafter "the Consumer Advocate").

Commission Order No. 84-457, dated June 5, 1984, directed the Applicant to prefile its testimony and exhibits on or before June 29, 1984. Order No. 84-539, dated June 5, 1984, required all other parties and Staff to file their testimony and exhibits on or before July 9, 1984.

Thereafter, a public hearing relative to MCI's Application was commenced before the Commission on July 23, 1984, the Honorable Fred A. Fuller, Jr. presiding. Richard D. Melson, Esquire, James H. Quackenbush, Esquire, Bristow Marchant, Esquire, and D. Christian Goodall, Esquire, appeared on behalf of the Applicant; Francis P. Mood, Esquire, Gene V. Coker, Esquire, and Edgar C. Gentle, Esquire appeared on behalf of ATTCOM;

Fred A. Walters, Esquire, and Lawrence E. Gill, Esquire, appeared on behalf of Southern Bell; Rex L. Carter, Esquire, and Mitchell M. Willoughby, Esquire, appeared on behalf of TSI; Wayne L. Goodrum, Esquire, appeared on behalf of General; William F. Austin, Esquire, and James B. Wright, Esquire, appeared on behalf of United; Natalie J. Moore, Esquire, appeared on behalf of the Consumer Advocate; and Marsha A. Ward, Staff Counsel, appeared on behalf of the Commission and the Commission Staff. Testimony was presented on behalf of the Applicant by Michael A. Beach, Warren A. Liss, Walter Davis, Andrew J. Haire, III, Dr. Nina W. Cornell, John Anthony, and Dr. Terence A. Shimp. In addition, Raymond B. Vogel presented testimony on behalf of Southern Bell; Robert E. Fortenberry, John T. Wenders and Robert L. Devereaux presented testimony on behalf of ATTCOM; Richard A. Lamer presented testimony on behalf of General; and Lewis G. Tyson, III, presented testimony on behalf of United.

II.

DESCRIPTION OF MCI AND THE AUTHORITY SOUGHT

MCI is a Delaware corporation with its principal place of business in Washington, D. C. MCI is a long distance telecommunications carrier authorized by the FCC to construct and operate an interstate telecommunications system. (Beach, Tr. Vol. 1, pp. 14, 15). MCI owns and operates the second largest intercity telephone network in the nation, covering over 17,000

miles throughout the continental United States. (Id. at 17; Liss, Tr. Vol. 1, pp. 87-88). MCI provides intrastate long distance service to over 300,000 business customers and over 1.3 million residential customers throughout the United States. (Beach, Tr. Vol. 1, p. 17).

MCI's system provides a wide range of competitive intrastate telecommunication services, including toll and private line offerings. (Haire, Tr. Vol. 2, p. 53). MCI's switched network utilizes a hierarchical routing scheme to process intercity calls over terrestrial microwave, satellite and fiberoptic transmissions paths between MCI's operating locations in numerous cities across the country. (Liss, Tr. Vol. 1, p. 89). In order to connect MCI's terminal locations with its customers, MCI leases local facilities from the local exchange companies. (Id. at 90).

At present, the facilities that MCI uses to provide interstate service to South Carolina customers consist of lines leased from Southern Bell and AT&T. (Id.) MCI plans to significantly expand its nationwide network by installing additional microwave facilities, fiberoptic lines, and digital radio routes, and a portion of these new facilities will be located in South Carolina. (Id.)

By its Application, MCI seeks authority to use existing and future facilities, constructed under FCC authorization and supplemented by resale, to offer an integrated intrastate and interstate service to consumers in South Carolina. MCI has

requested statewide authority, i.e., both interLATA and intraLATA, for its proposed service offerings in South Carolina. This Commission has already certificated an interexchange facilities-based carrier for statewide provision of competitive toll services. See, Application of Telecommunications Systems, Inc., Docket No. 81-28-C, Order No. 82-3, dated January 5, 1982.

III.

MCI's ABILITY TO PROVIDE INTRASTATE
SERVICES IN SOUTH CAROLINA

A. THE MCI NETWORK IN SOUTH CAROLINA

MCI's current construction plans for South Carolina include future terminal locations in Charleston, Columbia, Florence and Greenville. (Liss, at 91). A fiberoptic route, which will connect Raleigh, North Carolina, and Columbia, South Carolina, and will continue south from Columbia into Georgia is in the engineering and design phase of construction. (Id.)

MCI provides both metered usage and flat rate service, as well as certain management services. (Haire, Tr. Vol. 2, p. 53). Execunet is MCI's basic dial-up metered usage service. (Id.) MCI's other services include Network Service, MCI WATS Service, private line service and Common Controlled Switching Arrangement (CCSA). MCI's Execunet service allows customers to complete calls to any point outside their own state in the continental United States, Hawaii, Puerto Rico, the U. S. Virgin Islands and certain Canadian area codes. (Id. at 54). MCI uses its own

intercity network to complete calls to those cities that are on its network and uses WATS service purchased from ATTCOM and local telephone companies to complete calls to all other locations (Id.)

Execunet customers can access the MCI intrastate network by dialing a local seven digit telephone number assigned to the ENFIA lines connected to MCI. (Id. at 53). This call is answered by MCI switching equipment, which then provides a second dial tone, enabling the subscriber to dial a personal identification number (necessary for billing purposes) and the 10-digit long distance telephone number of the desired destination. (Id. at 53, 54).

Execunet customers are billed on a minute-of-use basis for each call made during the month. (Haire, Tr. Vol. 2, p. 57). The per minute rate for the call is determined on the basis of the actual airline mileage between the city where the call enters the MCI intercity network and the city where the call terminates. (Id.) Execunet also offers discounts during evening, night and weekend periods, which generally correspond to the Bell system discount periods for intercity MTS. (Id.) Evening discounts also apply to calls placed on MCI's recognized national holidays, except when a lower rate would normally apply. (Id.)

B. TECHNICAL AND MANAGERIAL ABILITIES

MCI has operated a nationwide long distance intercity telecommunications network providing intrastate services for over

a decade. (Liss, Tr. Vol. 1, p. 87). Over half of MCI's approximately 7,000 employees are involved, directly or indirectly, in technical activities. (Liss, Tr. Vol. 1, p. 88). MCI's employees install and maintain MCI's switching system. (Id.) MCI has over 200 telephone and transmission engineers responsible for developing design and maintenance procedures. (Id.)

MCI's network operations group, the largest single part of the Company, provides engineering and technical support relating to the installation, operation and maintenance of MCI's terminal telephone and switching operations. (Liss, Tr. Vol. 1, p. 88). This group is also responsible for coordinating installation and repair activities with local telephone personnel in resolving customer problems relating to the quality or availability of MCI's service. (Id.) South Carolina dial-up customers who require service may call a toll-free 800 number between the hours of 8:00 A.M. and 11:00 P.M., Monday through Friday, between 9:00 A. M. and 5:00 P.M. on Saturday, and between Noon and 6:00 P.M. on Sunday. (Id. at 88, 89). MCI has technicians in attendance at its switches at all times during the work week; during office hours MCI personnel continuously monitor the performance of MCI's network, and engineers are available on an on-call basis, 24 hours a day, seven days a week, to ensure the maintenance and smooth operation of MCI's network. (Id. at 89). In addition, MCI employs approximately 2,000 people in regional and national

offices throughout the country to ensure the quality and integrity of MCI's nationwide network. (Id.)

C. Financial Ability

MCI has sufficient capacity to meet the demand for intercity service. Mr. Liss testified that no more than minor modifications to the network may be necessary to accommodate intercity traffic, and that such modifications could readily be accomplished at small cost, and will not impede MCI's ability to meet the demand for intrastate service by South Carolina customers. (Liss, Tr. Vol. 1, pp. 91, 92).

None of the parties disputed MCI's financial ability to provide intrastate South Carolina services. The Applicant in this proceeding, is a wholly-owned subsidiary of MCI Communications Corporation, a publicly held Delaware Corporation. (Beach, Tr. Vol. 1, pp. 14, 16). At March 31, 1984, the Company had over 235 million shares outstanding, held by almost 68,000 stockholders of record. (Id. at 16). The MCI parent company first went public in June, 1972 (Id. at 20). Including that initial offering, MCI has raised a total of over \$2.3 billion in the capital markets through March, 1984. (Id.)

As of April, 1984, MCI's cash and short term investments were approximately \$1.1 billion. (Beach, Tr. Vol. 1, p. 20). MCI's total operating revenue increased by 94% from \$413 million to \$802 million between 1981 and 1982, and 65% to \$1,326 million in 1983. (Id.) These statistics provide evidence of the

financial health of the enterprise and demonstrate that MCI is in a position to expand its services to meet future demands. (Id. at 21).

While the corporation's financial capabilities support the total telecommunications system, it is important to note that the facilities that will be constructed by MCI within South Carolina will be an important part of that total system. (Id.) To that extent, all of the resources described are available as needed to ensure the continuing financial health of the corporation and all of its subsidiaries, most particularly, MCI Telecommunications Corporation, the major subsidiary. (Id.)

D. MCI IS TECHNICALLY, FINANCIALLY, AND
MANAGERIALLY CAPABLE OF PROVIDING INTRASTATE
TELECOMMUNICATIONS SERVICE IN SOUTH CAROLINA

None of the preceding facts were contested by any of the parties to this proceeding. MCI has demonstrated its technical and managerial ability in the interstate market and is possessed of substantial financial resources. Accordingly, there is no reason to doubt its ability to provide its proposed South Carolina intrastate services.

E. DEMAND FOR MCI'S SERVICES

MCI demonstrated that there is widespread market acceptance of MCI service by customers in markets where MCI has offered service virtually the same as that it proposes offering in South Carolina. (Cornell, Tr. Vol. 2, p. 76). Many South Carolina

customers already use MCI service for interstate calling. (Id., See, Beach, Tr. Vol. 1, p. 18).

A South Carolina specific market demand study analysis conducted by the Institute of Information Management, Technology and Policy at the University of South Carolina for MCI, further indicated the demand for MCI's services. (See, Shimp, Tr. Vol. 3, pp. 33-35). Based on the results of this study, Witness Shimp stated that "there is a significant untapped demand for the type of long distance service that MCI seeks authority to offer." (Id. at 35). This study confirms the conclusion that MCI service would find acceptance from customers in the South Carolina intrastate market, just as it has in other markets. The testimony of public witnesses further indicated a demand for MCI's services. (Davis, Tr. Vol. 2, pp. 42-43; Anthony, Tr. Vol. 3, p. 20).

The Commission is of the opinion that MCI has demonstrated a public need in South Carolina for the services proposed by the Applicant.

IV.

THE INTERVENTION

Raymond B. Vogel, Division Manager of Rates and Costs, was presented on behalf of Southern Bell. Mr. Vogel testified that: (1) Southern Bell does not take exception to MCI's request to provide interLATA toll services, provided the Applicant implements adequate measures to prevent the completion of toll calls

within geographical territories for which it may not be authorized to operate in South Carolina; (2) the Commission should not permit intraLATA competition or grant further authority to other carriers to provide intraLATA services without first making a full public interest examination and assessment of the impact that such a grant will have on universal service, and the financial integrity of local exchange companies; (3) should the Commission determine that further intraLATA competition is in the public interest, a plan must then be developed so that any negative impact of competitive entry on South Carolina consumers and local exchange carriers can be eliminated; and (4) if competition is permitted, all carriers - including Southern Bell - should be allowed to compete on the same basis. (Vogel, Tr. Vol. 2, pp. 57-59).

Three witnesses were presented on behalf of ATTCOM: Robert E. Fortenberry, Vice President of Regulatory Affairs; John T. Wenders, Ph.D., University of Idaho; and Robert L. Devereaux, District Manager, Engineering Department Staff.

Mr. Fortenberry testified that: (1) ATTCOM did not oppose the introduction of interexchange competition and believed that such competition would well serve South Carolinians; (2) all interexchange carriers should, however, operate under the same rules; and (3) three specific requests made by MCI would "result in an unfair difference in regulation" in that MCI : (a) proposes to serve only four populated areas; (b) has requested flexible

regulation; and (c) has requested statewide authority including intraLATA which was denied to ATTCOM. (Fortenberry, Vol. 3, pp. 72-73).

Dr. Wenders, an economist, testified that the Commission should reduce its regulation of the intrastate toll market and should permit all carriers - including ATTCOM - to compete on an unregulated basis. (Wenders, Tr. Vol. 3, pp. 136-139).

Mr. Devereaux testified concerning the current means of access that Southern Bell offers ATTCOM and other potential intrastate interexchange carriers to the local network. (Devereaux, Tr. Vol. 3, p. 158) He also pointed out alternative access arrangements available to MCI to eliminate problems encountered through the use of Feature Group A access (Id., p. 152).

Witness Lamer echoed the sentiments of Southern Bell's Vogel (Lamer, Tr. Vol. 3, pp. 166-172), as did United's Witness Tyson. (Tyson, Tr. Vol. 3, pp. 179-184).

V.

DISCUSSION

The preceding sections of this Order have summarized testimony which, in the Commission's opinion, clearly established that MCI has the technical, managerial and financial resources to provide its proposed intrastate offerings in South Carolina. Moreover, it is also clear that a demand exists for these offerings. Having determined this, the Commission must next

determine whether public interest will be served by granting MCI's application for statewide authority and requests for relaxed regulatory treatment.

The Commission's review of the standards of public convenience and necessity and the prospective application of its regulation in the interexchange telecommunications industry must reflect the dramatically altered nature of that industry. The advent of competition in the interexchange market is a relatively recent phenomenon. Specialized Common Carriers, 29 F.C.C. 870 (1971), aff'd sub nom. Washington Utilities and Transportation Commission v. F.C.C., 513 F 2d 1142 (9th Cir. 1975); MCI Telecommunications Corp. v. F.C.C., 561 F 2d 365 (D.C.C. 1977) (Execunet I). In Order No. 82-3, dated January 5, 1982, in Docket No. 81-28-C, the Commission authorized a facility-based telecommunications carrier to provide "radio and telephone common carrier services" throughout the State of South Carolina. In that decision, the Commission acknowledged the "many changes in the regulation of telephone utilities in the last fifteen years which introduce competition into the telephone utility industry." Order No. 82-3, at 10.

The Commission's analysis of the evidence in this proceeding has been undertaken in accordance with our previous finding that "competition promotes responses to the demands of the public for new and improved services at the lowest reasonable prices." Order No. 82-78, dated February 4, 1982, issued in Docket No.

81-28-C, supra. We find herein no justification for a departure from that conclusion.

A. The Public Convenience and Necessity

In our previous application of the standard of public convenience and necessity, the Commission found that standard to encompass two criteria: the prevention of wasteful duplication of facilities and services and the protection of the consuming public from inadequate service. Order No. 82-3, supra, at 10.

Certification of MCI to provide statewide telecommunications services in South Carolina is clearly in the public interest and is consistent with this Commission's policy of competitive entry as articulated in the context of TSI's application. See, Order No. 82-3, supra, at pp. 9-18. MCI Witness Dr. Nina W. Cornell testified that, based on experience at both the federal and state level, four basic types of benefits could be expected from statewide competition in South Carolina:

1. Competitive markets are superior to non-competitive markets at producing the goods and services most in demand by consumers;
2. The competitive production of goods and services results in the most efficient use of society's resources;
3. Competition offers the greatest opportunity for the introduction of new technologies and services; and
4. Competition allows society to spend less on regulatory processes and procedures.

Cornell, Tr. Vol. 2, pp. 79-83.

Dr. Cornell's testimony concerning these benefits was basically uncontroverted.

One of the Commission's primary concerns in judging an application for a certificate of public convenience and necessity is the impact of a grant of such authority upon the price of local exchange service. The Applicant failed to show that its application for intraLATA authority will not adversely affect the price of local exchange service. As stated by witness Vogel:

Toll rates have been established at levels which provide substantial contribution to basic residential service. The Southern Bell 1983 Embedded Direct Analysis (EDA) supports this toll profitability with a revenue-to-cost relationship of 3.26 to 1 in South Carolina.

A competitive marketplace for toll services will not be able to sustain this level of subsidy. Prices and rates will unquestionably be driven toward actual costs, not only through the reduction in the local exchange companies to toll rates so they can effectively compete and retain and grow their customer base, but also through the uneconomic loss of existing growth toll customers to interexchange carriers where the local exchange companies have not been given the flexibility of repricing their services to competitive levels.

...It is reasonable to expect annual toll contribution [in South Carolina] to decline by some \$25 to \$30 million as a fully competitive environment occurs [for intraLATA toll services].

(Vogel, Tr. Vol. 3, pp. 51-53.)

The Commission, therefore, will limit the authority of the applicant to interLATA only, as was done in the case of ATTCOM and GTE Sprint. See, Order No. 83-883, dated December 29, 1983,

in Docket No. 83-416-C and Order No. 84-622, dated August 2, 1984, in Docket No. 84-10-C.

The Applicant has requested the authority to resell intra-state Wide Area Telecommunications Services (WATS). The Commission has determined that the Applicant may be allowed to resell WATS pursuant to the Commission's decision in Order No. 84-709 in Docket Nos. 84-59-C, 84-60-C, 84-61-C, 84-140-C, 84-141-C, 84-142-C and 84-177-C.

In order to insure that customers subscribing to the services of the Applicant do not complete intraLATA calls, the Commission shall require the Applicant to do as follows:

Block all intraLATA calls, provided, however, that MCI has the technical ability to do so. In the event that blocking is not technically feasible, then MCI must take the following steps to educate its customers and evaluate calls made in violation of the interLATA certificate:

- a. Provide to its customers, on a quarterly basis for one year, information in each customer's bill which includes language explaining the intraLATA restrictions on its authority and including a map showing South Carolina's four LATAs.
- b. In any promotional material showing comparisons between the rates of any two or more interLATA carriers, MCI shall include the following language, noting that all rate comparisons are between interLATA carriers and apply only to interLATA calls.
- c. Any written advertisements for MCI designed specifically for use or distribution in South Carolina shall include language clearly noting the intraLATA services restrictions placed on interLATA carriers.

d. In order to evaluate the effect that the above stated measures have had in preventing customers from making calls in violation of the interLATA certificate issued to MCI, MCI, in cooperation with the Commission Staff and the local exchange carriers, shall complete statistically valid studies to determine the extent to which intraLATA calls are being completed in violation of the tariffs of the interLATA carrier. These studies shall be presented for the consideration of this Commission no later than January 15, 1985. In the event the Commission determines, after due consideration of the studies, that there are appreciable violations of the intraLATA restrictions noted herein, the Commission, after giving all parties at interest to these proceedings an opportunity to be heard, shall determine what additional steps, if any, may be necessary in order to avoid violations of the intraLATA restrictions contained in the interLATA certificates issued herein, including, but not limited to, appropriate payment of compensation to the local exchange carriers for loss of contribution associated with such intraLATA traffic.

B. REGULATION OF INTEREXCHANGE CARRIERS

The Commission recognizes that the instant proceeding represents our second opportunity to review proposals for a modification of the nature of regulation of interexchange telecommunications carriers in South Carolina since the implementation of the effects of the court-approved divestiture of many of the subsidiaries of the American Telephone and Telegraph Company, United States of America v. American Telephone and Telegraph Company, 552 F. Supp. 131 (D.D.C. 1982), aff'd, ___ U.S. ___, 103, S. C. 1240, 75 L.Ed 2d 472 (1983). The effects of that decision have materially altered the telecommunications industry and have

accelerated the development of competition in the telecommunications market. See, MCI Telecommunications Corp. v. F.C.C., 712 F. 2d 517 (D. C. Cir. 1983), and National Association of Regulatory Utility Commissioners v. F. C. C., No. 83-1224, slip op. (D. C. Cir., June 12, 1984), and the authorities cited therein.

The Commission determined a general regulatory structure in Order No. 84-622 of Docket No. 84-10-C, Application of GTE Sprint Communications Corporation, that is to be applicable not only to GTE Sprint, but also to any other telecommunications carrier authorized by this Commission to provide interLATA service in South Carolina. The Commission finds the regulatory approach approved in Order No. 84-622, supra, to be applicable to MCI and adopts the same for MCI.

The general application of the regulatory structure will serve both to maintain a competitive environment in South Carolina and permit all affected carriers to operate on an equal basis from the perspective of regulation.

1. Certification of Prospective Telecommunications Carriers

In the first instance, the Commission cannot abandon its statutory mandate to review the proposed operations of a prospective telecommunications carrier for interLATA service. S. C. Code Ann., Section 58-9-280 (1976), as amended, requires such review and our certification that public convenience and necessity require such operation. Any other conclusion would be

inconsistent with our statutory authority and contrary to the public interest.

2. Regulation of Rates and Charges

Because of the nature of the market, competing carriers require flexibility to adjust rapidly rates and charges for their services in response to changes in the marketplace.

While the Commission considers such flexibility to be desirable to foster the ability of carriers to operate effectively in the competitive environment, the Commission must be mindful of the dictates of the pertinent statutory requirements which must prevail in the conduct of regulation. South Carolina Elec. & Gas Co. v. Public Service Comm. 275 S.C. 487, 272 S. E. 2d 793 (1980).

S. C. Code Ann., Sections 58-9-520, et seq. (1976), as amended, provide for notice and opportunity for hearing for adjustments in certain rates or tariffs proposed by a telephone utility.

The Commission will adopt a rate design for MCI and other interLATA carriers which includes only a maximum rate level for each tariff charge. A rate structure incorporating a maximum rate level with the flexibility for downward adjustment has been adopted by this Commission for public utilities where their services are provided on a competitive basis. See, e.g., Order No. 82-898-G, issued in Docket No. 82-71-G, dated December 20, 1982, rev'd on other grounds, sub. nom. Carolina Pipeline

Company, Inc. v. South Carolina Carolina Public Service Commission, et al. (83-CP-40-0979 and 83-CP-40-0991) (May 10, 1984).

Furthermore, upon approval of the maximum levels for the rates, adjustments of the particular rates below the maximum would not constitute a general ratemaking proceeding or even a modification of an existing rate since the prior approval of the maximum constitutes approval of each and every lower rate level. Consequently, a proposed adjustment below the maximum rate level would not require the statutory notice of intention to adjust rates, a formal hearing, or the twelve-month period between rate changes. S. C. Code Ann., Section 58-9-540(D).

While the Commission is conscious of the need for carriers to adjust rates and charges timely to reflect the forces of economic competition, the Commission is not convinced that rate and tariff adjustments below the approved maximum levels should be accomplished without notice to the Commission and to the public. The general ratemaking procedures applicable for MCI and other interLATA carriers will incorporate provisions for filing of proposed rate changes and publication of notice of such changes two weeks prior to the effective date of such changes, and affidavits of publication must be filed with the Commission. Furthermore, the Commission considers that any proposed increase in the maximum rate levels reflected in the tariffs of an interLATA carrier, which should be applicable to the carrier's general body of subscribers, would constitute a general

ratemaking proceeding which would be treated in accordance with the notice and hearing provisions of S. C. Code Ann., Section 58-9-540.

MCI will be required by the Commission to maintain sufficient records to enable the Commission in subsequent proceedings to determine the amount of profit being earned from its South Carolina operations.

MCI will abide by all of the Rules and Regulations of the Commission in providing interLATA service in South Carolina. The Commission is not convinced that the application of its approved rules and regulations produces any unusual difficulty to the extent necessary to justify any waiver of those rules and regulations at this time. The Commission's rules and regulations were adopted in the interest of the public and are intended to apply evenly to all telecommunications carriers. Should compliance with any specific provision produce the "unusual difficulty" envisioned by R.103-601(3), the Commission shall entertain the appropriate pleading and fashion the proper relief.

VI.

FINDINGS AND CONCLUSIONS

Based upon the foregoing considerations, and after a full review and evaluation of the record in the instant proceeding, the Commission has made the following findings and reached the following conclusions:

1. That MCI Telecommunications Corporation has satisfied the requirements of the standards for the issuance of a certificate of public convenience and necessity by the Commission.

2. That MCI has the technical, managerial and financial resources to provide its proposed intrastate services in the State of South Carolina.

3. That the certification of MCI to provide its proposed intrastate services will not cause a wasteful duplication of facilities nor will it produce inadequate services to the public of South Carolina.

4. That MCI should be issued a Certificate of Public Convenience and Necessity to provide telecommunications services in accordance with S. C. Code Ann., Section 58-9-280 (1976), as amended.

5. That competition among telecommunications carriers promotes better service at lower prices for the consumer.

6. That MCI should be granted a certificate for interLATA authority only.

7. That MCI should not be granted intraLATA authority because of the adverse effect that it would have on the price of local exchange service.

8. That MCI should be allowed to resell intrastate WATS pursuant to the Commission's decision in Order No. 84-709 in Docket Nos. 84-59-C, 84-60-C, 84-61-C, 84-140-C, 84-141-C, 84-142-C and 84-177-C.

9. That MCI must take specific steps as set out above to insure that its customers do not make intraLATA calls.

10. That MCI shall operate under a general regulatory structure as set out above that will permit considerable flexibility in the implementation of rates and charges to allow carriers to operate effectively in the competitive environment.

11. That this general regulatory structure was created under the dictates of the statutory requirements which must prevail in the conduct of regulation.

12. That in order for the Commission to effectively regulate all interLATA carriers, MCI must keep sufficient records to enable the Commission to determine the amount of profit it is earning in South Carolina.

13. That MCI must abide by all of the applicable rules and regulations of the Commission.

IT IS THEREFORE ORDERED:

1. That MCI is granted a Certificate of Public Convenience and Necessity to provide interLATA telecommunications services within the State of South Carolina.

2. That the request of MCI for a Certificate of Public Convenience and Necessity to provide intraLATA telecommunications services within the State of South Carolina is denied.

3. That the rates filed in the Application are approved, effective as of the date of this Order.

4. That MCI may resell intrastate WATS pursuant to the Commission's decision in certain dockets.

5. That MCI must block all intraLATA calls, either through technical means or through customer education, as authorized herein.

6. That MCI is required to operate under the regulatory framework as set out in this Order.


7. That MCI must keep sufficient records to enable the Commission to determine the amount of profit it is earning in South Carolina.

8. That MCI must abide by the Rules and Regulations of the Commission.

9. That MCI file its complete tariff, including rate schedules, within thirty days of the date of this Order.

10. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


CHAIRMAN

ATTEST:


Executive Director

(SEAL)